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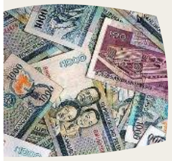

YAMAN Coach

EMPOWERING YOU

Perks from Delaying Gratification

by Coach Rose D. Gases, RFP®

In this day and age when everything you need is simply one click away, is delaying gratification a thing of the past?

With the massive utilization of technology, various websites popped up. Nowadays, e-commerce is built-in on that small, yet formidable device called mobile phones you carry wherever you go and whatever you do. Your mobile phone has become an instant gratification enabler.

Temptation in the now is powerful. These quick hits of dopamine to your brain are hard to control and manage if you are not used to it. The fear of missing out (FOMO) comes in to torment you.

According to retail therapy, once you get the item you want days or weeks after, the excitement you felt initially will slowly fade, and your brain starts to look for the next shiny objects to procure. And the cycle continues leaving you with the clutter of things of no value to you.

So, what are the perks of curbing your impulses?

- It offers you ample time to think.
- It cools your desires when temptation strikes.
- It gives you the power to control your wild desire of having something now.
- It develops self-discipline.
- It saves you money, time, and space in your house.
- It avoids you getting into piles of consumer debt.

The psychologist Walter Mischel, who led the famous Stanford marshmallow experiment, concluded that self-restraint is like a muscle that can be developed. This study measured the capacity of children to delay gratification for one marshmallow in exchange for two if they waited for a while. The result of the experiment revealed that some children were able to resist their desires while some caved in. Years after, the researchers revisited the children in their experiment, who by then were already adults. They found out that those children who succeeded in the test had better economic standing compared to those who failed.

Delaying gratification is a a measure of success. But delayed gratification does not only apply to life in general but also to personal finance in particular. Delaying gratification can be used as well in decision-making. Let us say you have a growing business. Just then a friend offered you another venture promising you better profits. Would you grab that opportunity now, split your attention and your capital considering your current business in just now starting to gain momentum?

Psychologists say that the mind can only focus on one thing. For that reason, multitasking is not as efficient as we think because when you split your focus and attention, the results of both activities can possibly suffer. On the other hand, the more you focus on one thing, the better the results will be.

What is the solution?

The key is to take the time to master one skill and then learn another. Determine your main core activity and track your progress as you get better each day. This way, you get to reach your goals faster.

The principle here is the pain you feel today will be the strength you will gain in the future. With just a little bit of effort, you will develop the willpower to overcome your impulses.

The next time you find yourself wanting to buy something or planning to dive into a new venture, give yourself some time to think over things before you make a decision.

Your future self and your family will thank you for it.

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Worry-free Way to an Enjoyable Retirement

by PFA

A lot of people dream of a long, healthy, and comfortable retirement. But to many, that may mean having to continue investing actively even after retirement.

The good news is that with a solid comprehensive financial plan, you may still enjoy a long and relaxing retirement with little thought to your investments. This is where bonds come in.

By their very nature, bonds are suited for earning periodic income while getting back your investment upon maturity. All you need to do with your financial planner is to match the interest payments and maturity of the bond with your cash flow needs in retirement.

If you expect to have say a 20-year retirement period for example after retiring at the age of 60, you may structure your bond placements so that you get equal amounts of bonds maturing every year.

On the other hand, if you expect to have a retirement where you spend a lot on enjoying retirement at the start, then mellow down in spending for a few years, and spend a lot again towards the tail end of your retirement because of increased medical expenses, you may want a barbell bond portfolio.

Just like a barbell, you will have more maturities at the start and end of your retirement with fewer maturities in the middle. The two ends of the barbell need not have the same level of maturities. Maturities can be more towards the start or towards the end of your portfolio. Again, a solid comprehensive financial plan can help you structure your portfolio.

Of course, you may be more active with your bond investing by letting your views on macroeconomic factors determine your bond maturities. However, this may not be the carefree retirement you are looking for.

But whatever the bond strategy, it is important to note that you are making the bond issuers, whether they be the government or private sector companies, pay you periodic interest and eventually the principal you invested so that you can enjoy your retirement without so much as metaphorically lifting your finger.

So, is bond investing the worry-free way to an enjoyable retirement? Not entirely.

The worry-free way is opening a Trust account that contains bonds and then working with your account officer to structure your portfolio according to your retirement needs. And even if you want your portfolio to be active in investing, it is not you but the Trust bank or company that will actively invest for you.

You can also use the trust for estate planning purposes. One example is to open a trust for your heirs with the condition that while you and your spouse are alive, you both get to enjoy the income on the trust. Only when both of you are gone will the trust be entirely for the benefit of your heirs. There are, of course, more details to consider. That is why it would be best for you to talk to a Trust practitioner who may be found in banks, Trust corporations, investment houses and even stock brokerage firms.

What is important to know is that your long career would have earned you the much-deserved rest and relaxation. And one worry-free way to enjoy it is through a Trust account invested in bonds.

Editor's Note

Efren Ll. Cruz, RFP®
Editor-in-Chief

High Risk, High Return Applies to Loans as Well

If you have ever wondered why loans not coming from the usual banks and lending institutions bear exceedingly high interest rates, it is because of the golden rule of high risk, high return.

To attract borrowers, some lenders take advantage of the desire to attain instant gratification, as discussed in the article on page 1. More specifically, such lenders will bypass the usual strict credit evaluation. But to manage their risk, they will do a few things that is the stuff of what we call the debt TRAP, an acronym representing time or period of repayment, rate of interest, amortization and principal.

Lenders will shorten the term of the loan, with some being as short as 7 days. In many cases, repayment will just be one time (e.g. on the 7th day). Still others will not immediately disclose that the net loanable amount will be reduced by fees with creative names, the net effect of which are to reduce the lenders' loan exposure and to raise interest rates. It will not be surprising to see high effective rates ranging from 200% to over 1,000% p.a.

Lending to poorly vetted borrowers is risky. And that is why the return to the lenders is also high, at the expense of the borrower.

So, before you borrow from such lenders, ask yourself if you can really repay that loan over a short period of time and if you can stomach the exorbitant interest rate.